Employment Security Department
WASHINGTON STATE

Study of Inaccurate Reporting

In 2005, the department completed a study of non-recoverable overpayments that indicated employer errors caused 48 percent of all overpayments in 2004. This study took a broader scope, looking at employer errors over a three-year period to better determine the pervasiveness of this issue and the effects on the unemployment-insurance trust fund.

Study examines 2003-2005

Parameters of the study

- Looked at all employers that filed inaccurate tax and wage reports from January 2003 through December 2005.

Employer errors cause $1.17 million in non-recoverable overpayments a year

Key findings

Non-recoverable overpayments

When an employer reports inaccurate information, it can result in an overpayment if a worker has already received benefits.

Year	Amount	% all non-recoverable overpayments
2003	$1,374,543	33
2004	$1,215,925	44.7
2005	$934,218	43.7
Total	**$3,524,686**	

Corporate officers accounted for more than $151,200 of all non-recoverable overpayments in 2003, about $21,300 in 2004, and just over $30,000 in 2005.

According to state law, neither the worker nor the employer is held liable for the error. Instead, the costs are spread across all employers (socialized).

Most errors do not lead to overpayments

Types of errors

Reporting wages under the wrong Social Security number and reporting the wrong number of hours worked or the wrong amount of wages accounted for almost 91 percent of all amended tax reports. Most of these errors did not contribute to overpayments because the people did not apply for unemployment or the errors were fixed before benefits were paid.

Number of employers that misreport hours is decreasing

Incorrect or blank hours

- Employers must report the hours their employees work. If they do not, the department calculates hours by dividing the employee's wages by the state minimum wage to determine whether the worker has worked enough hours to qualify for unemployment benefits.
- The department had to calculate hours for 40,800 claims in 2003; 27,200 in 2004; and 18,400 in 2005.
- At the same time, the number of employers that did not report hours decreased from almost 58,200 to just under 43,000.

More corporations and LLCs file amended tax reports

Characteristics of employers with errors

- Corporations filed about two-thirds of all amended reports, but make up less than half of all employers in the state.
- Limited-liability companies also had a disproportionately high level of errors, at 11 percent, versus 0.1 percent of all employers.
- Among employers that did not report hours, the vast majority were very small employers. In 2005, almost 77 percent had fewer than five employees.
- There were no trends according to location or industry.

Online filing, penalties and increased outreach help reduce errors

Reasons errors are declining

- Increased use of UI*Fast*Tax and UI*Web*Tax, electronic filing tools that highlight missing information and common mistakes.
- Penalties were introduced in July 2004 and fully implemented in July 2005.
- Increased outreach to employers through publications, tax forms and the Internet.

Administrative costs

- The Employment Security Department spends about $350,000 per year on staff costs to correct employer errors.

Contact

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